KOMORI

The 5th Medium-Term Management Plan

April 2016～March 2019

Completion of “Planned　Change”



May 20,2016

KOMORI CORPORATION

Ⅰ. The 4th Medium-term Management Plan - Review

April 2013～March 2016

The 4th Medium-term Management Plan - overview

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The 4th Medium-term Management Plan
“Planned Change”

「Transforming business structure」

Transform business structure with offset printing press as core business

①Strengthen base of offset printing business
(Improve share in domestic market, reinforce sales in emerging countries)
②Establish base for monetizing new businesses(overseas expansion of security printing press, DPS, PE)

「Transforming business model in sales activity」

Transform sales activity by enhancing solution sales/service proposal

①Progress PESP business (Printing materials, peripheral equipment, POD, PM service, used press sales)

「Manufacturing (Monozukuri) innovation」

Improve profitability of existing business and invest to new businesses

①Plan attractive products and improve perceived quality
②Realize competitive production cost and lead time, establishing manufacturing system for high-mix low(varied)-volume production
③Utilize ICT for improved efficiency specifically on indirect work processes ⇒SGA20

The 4th Medium-term Management Plan – result

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"Planned Change" of business structure and business model in sales activity

FY 2016/3
Sales target
100billion yen
Operating Profit
8billion yen (8%)

Area on market	Area on product (business or technology)	
	Existing product	New product
Existing market	**①Offset printing press (core business)** *Sales result FY 2014/3 82.4 billion yen FY 2015/3 79.5 billion yen FY 2016/3 83.2 billion yen Stable result despite (115%) drastic decline in China market	**③ DPS (New product development)** *Sales result FY 2014/3 0.5 billion yen FY 2015/3 0.9 billion yen FY 2016/3 10.0 billion yen (9%) Delay in development
New market	*Sales result FY 2014/3 8.9 billion yen FY 2015/3 5.5 billion yen FY 2016/3 5.2 billion yen (37%) Orders from India, Russia, Republic of the Congo etc. **② Security printing press (Market cultivation)**	*Sales result FY 2014/3 0.5 billion yen FY 2015/3 5.4 billion yen FY 2016/3 5.9 billion yen (197%) Acquired Seria Corp. **④PE・Precision equipment (Diversification)**

PESP business
(business model transformation)
*Sales result
FY 2014/3 17.7 billion yen
FY 2015/3 19.3 billion yen
FY 2016/3 20.9 billion yen
※included in numbers of each businesses

DPS: Digital Printing System, PESP: Print Engineering Service Provider

Ⅱ. The 5th Medium-term Management Plan - Outline

April 2016～March 2019

Komori's Five-Year Vision

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Realizing Our Management Philosophy of Delivering Kando—Customer Satisfaction beyond Expectations

Our Vision for 2021

1. Secure a global presence as a brand that delivers Kando to customers in printing and related industries around the world
2. Establish a solid operating platform by succeeding in the two key initiatives of "achieving business model innovation in sales activities" and "transforming the business structure," with the offset printing press business serving as a core business pillar
3. Transform the profit structure mainly through the expansion of the PESP business, thereby securing more stable profit sources that are resilient to short-term changes in the economic and industrial environment (shift to a recurring revenue model)
4. Build a development and production structure that will create products worthy of worldwide customer recognition
5. Become a strong global player with a robust workforce by nurturing human resources capable of succeeding abroad, hiring senior staff from overseas and proactively offering career advancement opportunities via a new personnel system centered on rewarding employees based on job roles and accomplishments
6. Realize a more streamlined corporate structure to enable nimble decision making and, to this end, pursue ongoing efforts to enhance management efficiency and rationalize business functions through proactive investment in IT systems and human resources as well as decisive organizational reforms
7. Maintain sound financial standing while enhancing asset and capital efficiency indicators (ROE, etc.) as well as shareholder returns, shifting emphasis from the dividend payout ratio to the total shareholder return ratio

Print market environment and related issues

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Print market environment surrounding KOMORI

Changes in print demand

- Expanding trend as a whole, thanks to upward trend in emerging nation while brake in downward trend in advanced nation
- Print demand for packages continues to expand overall
- Security printing demand is expected to increase worldwide (specially in Asia)

⇒Increase sales in emerging nation and promote printing press for packages

Improvement in productivity and TCO※

- Increasing needs for improvement in profitability, productivity, cost reduction
- Increasing demand for solution proposal

⇒Expand PESP business with solution sales

TCO : Total Cost of Ownership

Utilization of I oT

- Much room for productivity enhancement in printing industry
- A large effect expected from utilization of IoT in print site

⇒Evolve PESP business utilizing ICT etc.

Changes in demand of printing press

- Increasing demand for short run, quick delivery, variable print
- Increasing sales of Digital printing press
- Trend for replacement with labor-saving offset printing press and digital printing press

⇒Increase sales of digital printing press

Environmental problems

- Increased requirement for CO2 reduction(Power consumption, wasted paper) and VOC reduction etc to improve environment of print production site

⇒Strengthen Global Green-PJ activity

The 5th Medium-term Management Plan – Overview

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Completion of "Planned Change"
(2016/04～2019/03)

Transforming business structure

Transforming business model in sales activity

Transforming profit structure

manufacturing (Monozukuri) innovation

Prioritized strategy

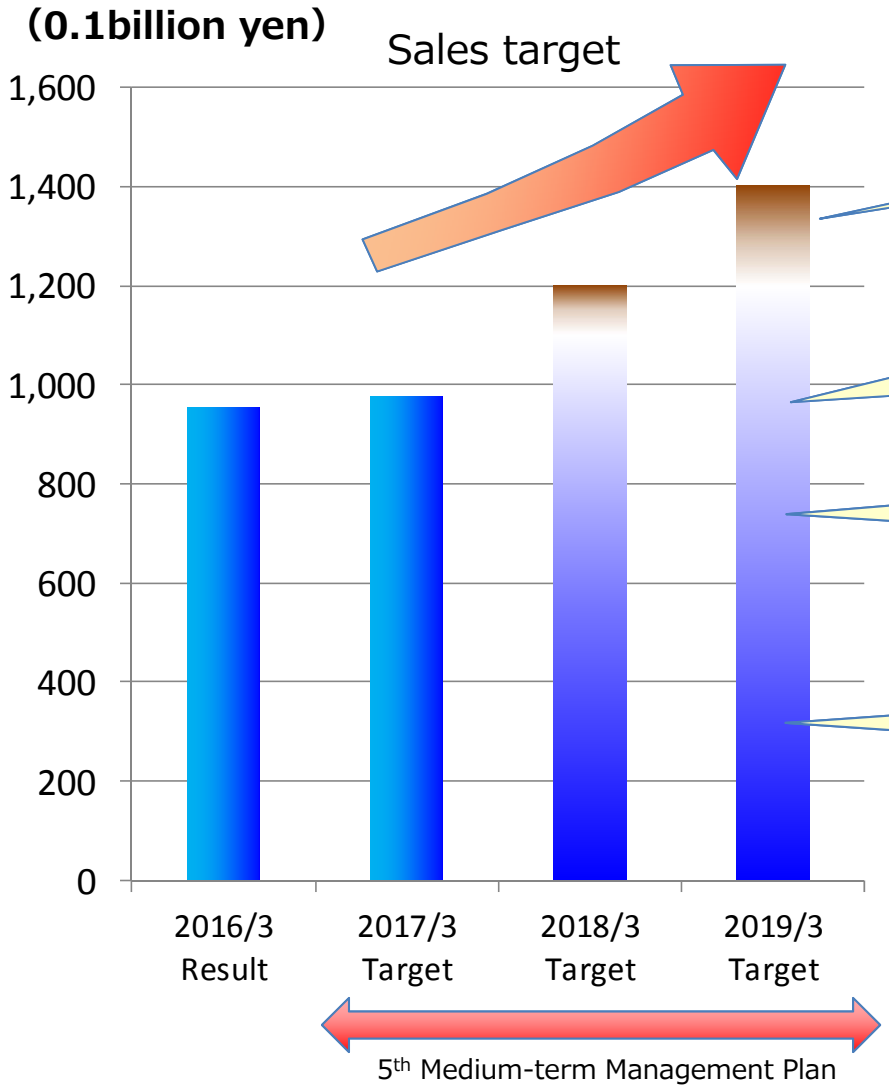
- Expand PESP business with solution sales
  (ICT system implementation, sales promotion of PESP products such as printing supplies, peripheral equipment, preventive maintenance etc.)
- Establish DPS business model harmonizing use of offset and digital printing presses
- Renovate manufacturing ("MONOZUKURI") by reformation of production system under new 3 factory structure)
- Achieve greater differentiation by generating synergies among businesses
- Bolster human resources development and recruitment, and utilize overseas human resources
- Improve the efficiency of indirect work, SGA20 (reduce selling, general and administrative expenses)
- Materialize financial strategies and M&A

Further improvement of corporate value and sustained growth

The 5th Medium-term Management Plan – growth image

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◆Maintain stable growth of existing business while expanding new business and maaterializing growth strategy



Growth strategy
Expand through M&A etc.

Transformation of business structure/revenue structure
Drastically expand DPS business

Transforming business model in sales
Drastically expand PESP business

Stable growth of existing business
Expand market share

Target of 2019/3
Sales : 140 billion Yen
Operating profit : 12.5 billion Yen

5th Medium-term Management Plan - Target

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Complete "Planned Change"

FY 2019/3
Sales target
140billion yen
Operating Profit
12.5billion yen (9%)

Novelty on product (business or technology)

Novelty on market

①Offset printing press

*Sales target
FY 2019/3 100 billion yen

Expand business opportunities while increasing market share

③ DPS (Digital printing system)

*Sales target
FY 2019/3 20 billion yen

Complete development and promote sales

PESP business
(transformation of business model in sales)

*Sales target
FY 2019/3 35 billion yen
※included in numbers of each businesses

*Sales target
FY 2019/3 10 billion yen

Expand market share in Asia.

② Security printing press

*Sales target
FY 2019/3 10 billion yen

Expand sales abroad and develop new market

④PE (Printed electronics)

PESP: Print Engineering Service Provider

Expand business scale with investment for growth strategy

Key strategies in PESP business

～Expansion of PESP business with solution sales ～

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◆Enhance PESP business by the following strategies

◎Promote PESP products as solutions to help printing companies solve their issues

- Promote “K-Supply” (printing supplies) matching to KOMORI’s printing presses
- Promote “K-Support” (maintenance service etc.)
- Reinforce product-planning ability

◎Expand PESP products utilizing ICT

- Assist productivity enhancement through “visualization” and “automation”
- Commercialize KP-Connect, K-Station, K-Color Simulator

◎Strengthen PESP business in overseas operation through subsidiaries and distributors network

Enhancement of PESP business aims at
・expansion of business scale while deepening all businesses
・increase of base for stable revenue stream

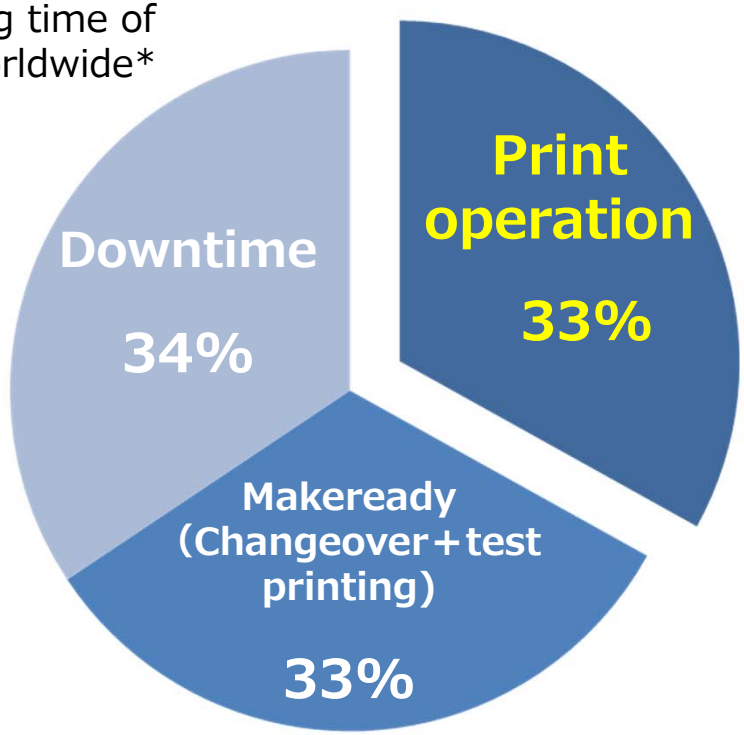
Key strategies in PESP business

～Expansion of PESP business with solution sales ～

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◆Enhance solution proposal to resolve issues at printing companies

Average operating time of 31 companies worldwide*



Issues at printing companies

- Operating status on printing presses is not fully controlled, and bottleneck processes are not clearly recognized.
- Analog control is made in scheduling print jobs.
- Color management is not properly done among offset presses and digital presses.

Not possible to make fundamental improvement since substance /bottleneck on issues are not clearly recognized.

*Research made by KOMORI, based on data of 31 printing companies that produce mainly 4 colors jobs utilizing KHS-AI (excluding package printers)

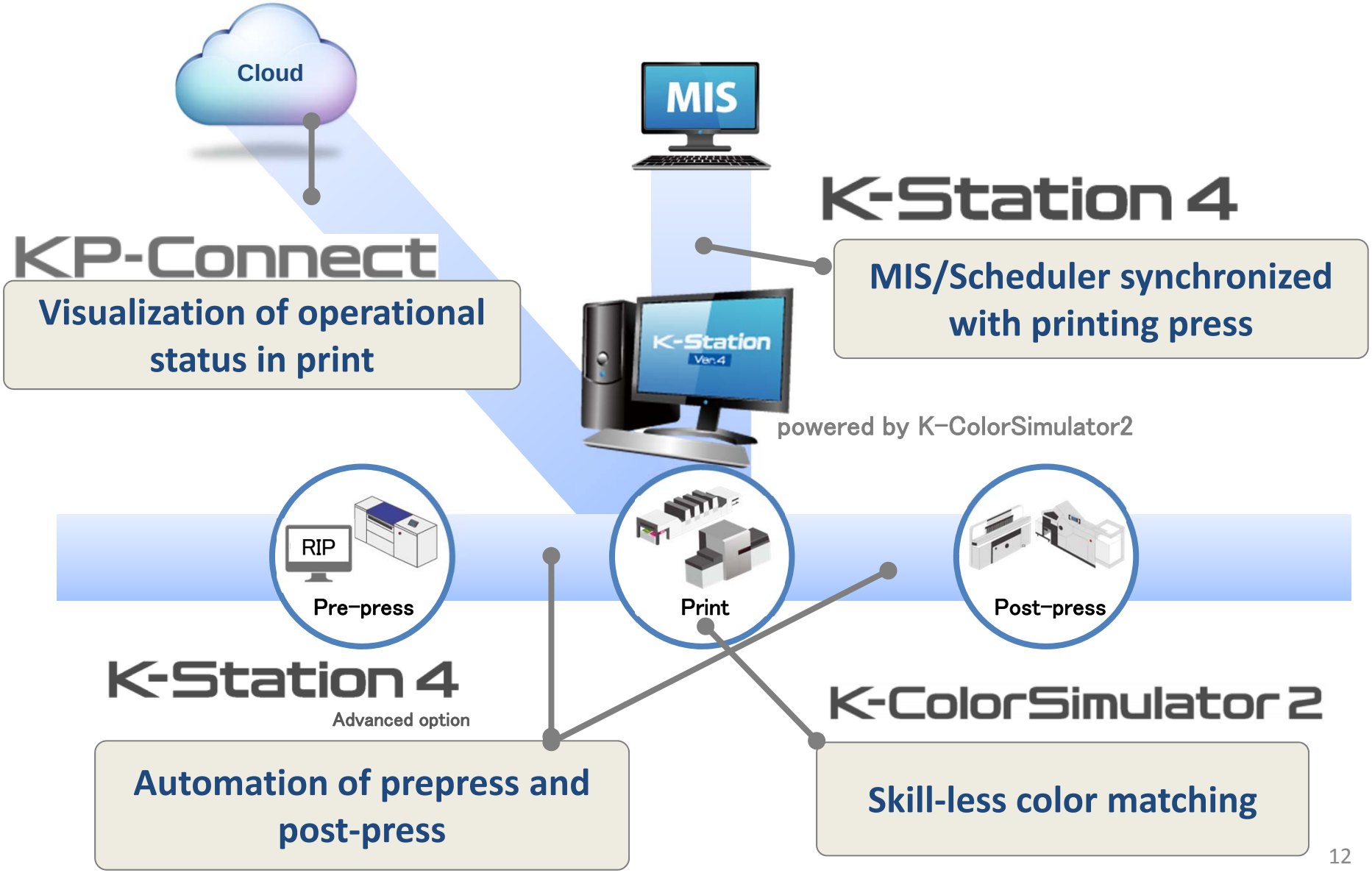
Average operating rate of printing press : 33%
⇒Room for improvement

Key strategies in PESP business

～Expansion of PESP business with solution sales ～

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Assist productivity enhancement through “visualization” and “automation“



Key strategies in DPS business

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◆Develop business model for DPS business

◎Commercialize IS29 starting mass-production

◎Launch NS40 (under co-development with Landa corporation) at early stage

◎Optimum combination strategy with digital printing press, offset printing press and peripheral equipment

- Propose solution on optimum production system by combined use of IS29 and offset printing press.
- Propose solution on coordination with PESP products such as post-press etc.

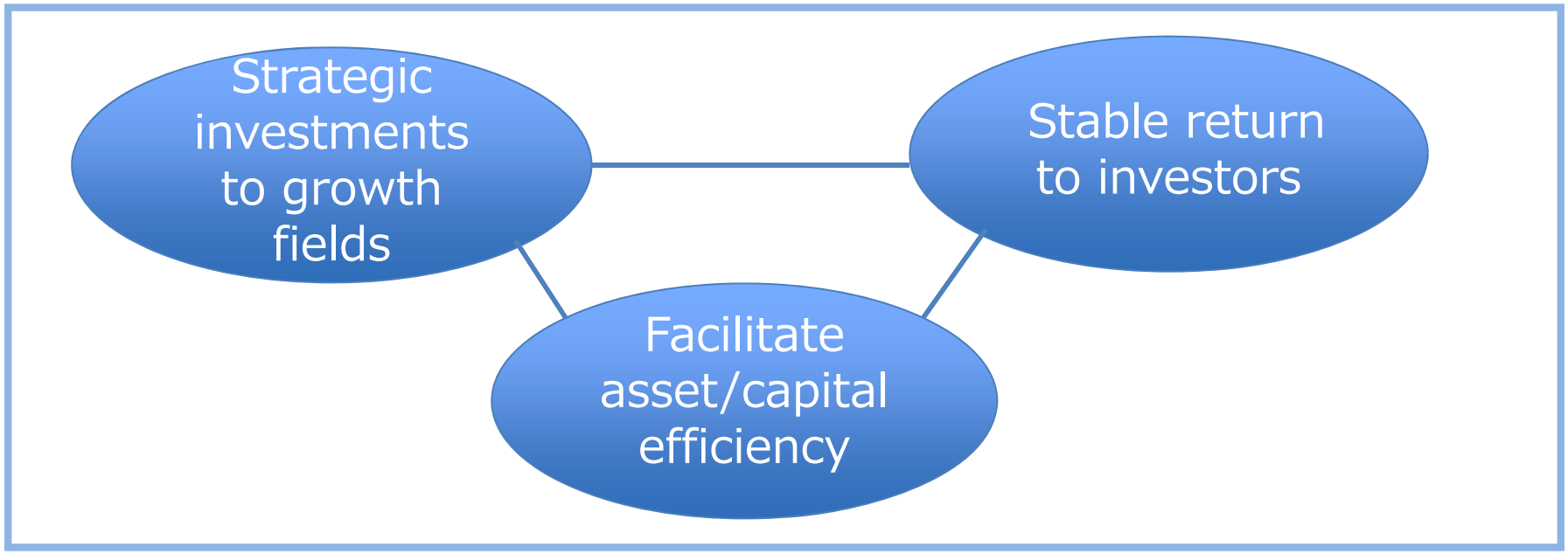
◎Develop business model for DPS business

- Create business model for selling equipment, supplies and service
- Create synergies toward other business fields

◎Participate in large scale exhibitions

Achieve commercialization of DPS business by carrying out above

Key financial strategies / Materialization of M&A investments



- Materialize growth / M&A strategy
- Enhance return to investors by dividends as well as timely share buyback
- Focus on asset / capital efficiency

Total earnings return ratio to investors : 40% or more

Capital efficiency improvement : ROE target of 6%

Key strategies in Finance and M&A

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To improve asset efficiency / turnover

(accelerate profitability and improve share valuation indicator)

Strategic investments to growth fields
Investment actively while keeping appropriate net cash suited to inherent business risk
Secure net cash position to adapt risk situation
Strengthen profitability
Pursuing business synergies

To improve capital efficiency

(while maintaining healthy financial position)

Maintain healthy financial position
Maintain favorable equity ratio
Maintain / facilitate current favorable credit rating of "A-" (outlook : stable : R&I)
Achieve ROE target of 6%
Operate consciously on equity volume / ratio and to commit earnings return ratio to investors.

Ⅲ. Drupa 2016
(International Trade Fair premedia/print)

drupa2016 summary

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- Period

  May 31 ～ June 10,2016 (11days)
- Time

  10:00 ～ 18:00
- Place

  Düsseldorf, Germany

KOMORI's booth : Hall 15

■ **KOMORI Main theme**



OPEN NEW PAGES

Sub-theme : Connected Print

Products presented at Drupa 2016

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Impremia IS29 NEW



LITHRONE GX40 【GLX-640+C】



LITHRONE GX40RP【GLX-840RP】



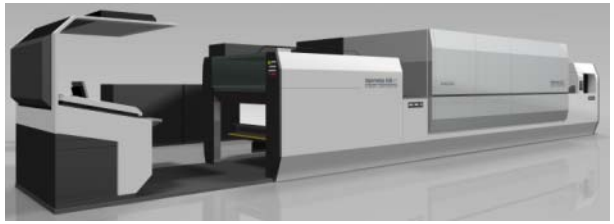
LITHRONE G37【GL-437】NEW



LITHRONE G29【GL-529+C】NEW



Impremia NS40【NS-440】NEW



Apressia CT137
（sheet cutter）NEW



KOMORI ICT Solutions

- **KP-Connect NEW**
- **K-Station 4 NEW**
- **K-ColorSimulator2**

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The statements regarding business forecasts and future prospects found in this document rely on assumptions made based on information available at the time of report and includes potential risk and uncertainties. Actual performance may differ from business forecasts herein due to various factors.